

**ADAMS COUNTY COMMUNITY FOUNDATION**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**ADAMS COUNTY COMMUNITY FOUNDATION**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Adams County Community Foundation  
Gettysburg, Pennsylvania

We have audited the accompanying financial statements of Adams County Community Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



America Counts on CPAs

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Adams County Community Foundation as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedules of operations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Boles Metzger Brosius & Emrick PC*

Harrisburg, Pennsylvania  
June 9, 2014

**ADAMS COUNTY COMMUNITY FOUNDATION**

**STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2013 AND 2012**

	ASSETS	
	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$684,045	\$86,800
Prepaid expenses	1,780	386
Investments, at fair value	5,229,446	2,412,296
Equipment and software (net of accumulated depreciation of \$6,173 and \$1,424)	<u>48,569</u>	<u>358</u>
Total assets	<u><u>\$5,963,840</u></u>	<u><u>\$2,499,840</u></u>
	LIABILITIES AND NET ASSETS	
Accounts payable and accrued liabilities	\$17,691	\$6,504
Grant distributions payable	13,000	-
Funds held as agency endowments	<u>239,721</u>	<u>204,017</u>
Total liabilities	<u>270,412</u>	<u>210,521</u>
Net assets, unrestricted	<u>5,693,428</u>	<u>2,289,319</u>
Total liabilities and net assets	<u><u>\$5,963,840</u></u>	<u><u>\$2,499,840</u></u>

***See notes to financial statements.***

ADAMS COUNTY COMMUNITY FOUNDATION

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Revenue and other support		
Contributions	\$3,226,778	\$1,345,036
Investment income	97,941	59,179
Investment gain (loss)	<u>464,833</u>	<u>137,773</u>
Total revenue and other support, all unrestricted	<u>3,789,552</u>	<u>1,541,988</u>
Expenses:		
Program expenses	40,474	41,472
Administrative	51,437	33,184
Development	<u>28,791</u>	<u>21,188</u>
Total operating expenses	120,702	95,844
Distributions from funds (grants)	<u>264,741</u>	<u>169,011</u>
Total expenses	<u>385,443</u>	<u>264,855</u>
Change in net assets	3,404,109	1,277,133
Net assets, beginning of year	<u>2,289,319</u>	<u>1,012,186</u>
Net assets, end of year	<u><u>\$5,693,428</u></u>	<u><u>\$2,289,319</u></u>

*See notes to financial statements.*

**ADAMS COUNTY COMMUNITY FOUNDATION**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$3,404,109	\$1,277,133
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,749	356
Unrealized and realized loss (gain) on investments	(464,833)	(137,773)
Donation of investments	(2,101,038)	-
(Increase) decrease in current assets:		
Prepaid expenses	(1,394)	(61)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	11,187	(1,279)
Grant distributions payable	13,000	(14,961)
Funds held as agency endowments	35,704	46,156
Net cash provided by operating activities	<u>901,484</u>	<u>1,169,571</u>
Cash flows from investing activities:		
Capital expenditures	(52,960)	-
Purchase of securities	(1,779,434)	(1,831,713)
Proceeds from sale of securities	1,528,155	554,420
Net cash used by investing activities	<u>(304,239)</u>	<u>(1,277,293)</u>
Net increase (decrease) in cash and cash equivalents	597,245	(107,722)
Cash and cash equivalents at beginning of year	<u>86,800</u>	<u>194,522</u>
Cash and cash equivalents at end of year	<u><u>\$684,045</u></u>	<u><u>\$86,800</u></u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>
<b>Supplemental schedule of noncash operating activities:</b>		
Donated securities	<u><u>\$ 2,101,038</u></u>	<u><u>\$ -</u></u>

**See notes to financial statements.**

**ADAMS COUNTY COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 1 - PURPOSE AND ORGANIZATION**

The Adams County Community Foundation is a community foundation. Under Internal Revenue Code Sections 501(c)(3), 170(b)(1)(A)(vi) and Section 509(a), it is a public support charitable organization, gifts to which are deductible for tax purposes. The mission of the Foundation is to inspire people and communities to build and distribute charitable funds for good, for Adams County, for ever.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The summary of significant accounting policies of the Foundation is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of these financial statements.

**Basis of presentation:**

The financial statements are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Financial statement presentation:**

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets, unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Use of estimates:**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and cash equivalents:**

For the purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.



**ADAMS COUNTY COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and cash equivalents (continued):**

Cash and cash equivalents consist of the following at December 31, 2013 and 2012:

	2013	2012
Undesignated	\$7,717	\$8,635
Designated for endowments	676,328	75,153
Designated for agency endowments	-	3,012
Total cash and cash equivalents	\$684,045	\$86,800

**Investments:**

Investments in marketable securities and all investments in debt securities are reported at their fair values based on quoted prices in active markets. The Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value and are readily available for all investments of the Foundation. Unrealized gains and losses are included in the change in net assets. Realized gains and losses are determined using the specific identification method. Purchases and sales of securities are recorded on a trade-date basis.

**Equipment and Software:**

Equipment and software are stated at cost and donated equipment is stated at the estimated market value. Depreciation is provided by the straight-line method based on an estimated life of 3-5 years. Depreciation expense for the years ended December 31, 2013 and 2012 was \$4,749 and \$356, respectively.

**Fair value measurements:**

U.S. generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs in situations where markets do not exist or are illiquid and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

**ADAMS COUNTY COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net asset classification:**

All contributions, including those with donor-imposed restrictions, are subject to the variance power of the Foundation established in its governing documents. The variance power gives the Board of Directors the ability to modify donor restrictions that are incapable of fulfillment or inconsistent with the charitable needs of the community except where Court approval and review by the Pennsylvania Attorney General is required by a Donor Advised Funding Agreement, or required by any order or decree from a Court of competent jurisdiction. As a result of the variance power, all contributions are classified as unrestricted net assets for financial statement purposes.

The Foundation maintains its unrestricted net assets in accordance with original donor intent at the time of contribution. These classifications include amounts established as scholarship funds, field-of-interest funds, donor advised funds and designated funds.

**Endowment spending policy:**

The Foundation anticipates distributions from each fund at least annually or an appropriate percentage of the fund's market value, as determined by the Foundation's board of directors. In determining the annual distribution amount, the Foundation's board of directors may consider the expected total return on the investments of the Foundation's permanent funds, the desirability of maintaining the value of the Foundation's permanent funds, and any other factors that it deems relevant. Currently, spending is limited to five percent (5%) of market value, but this may change in the future. As a permanent endowment fund, all principal of the fund in excess of the spending limit will remain invested, and will not be distributed.

**Contributions:**

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction. Contributions are recorded at fair value at the date of donation.

**Grants:**

The Foundation records grants when all conditions stipulated by the grant have been substantially met. Grant cancellations and refunds of paid grants are recorded as they occur. Direct charitable service program expenses are recorded as incurred.

**ADAMS COUNTY COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional allocation of expenses:**

The costs of providing the various programs and activities have been summarized on a functional basis on the statements of activities. Accordingly, certain costs have been allocated between program, fundraising (development) and administrative services.

**Income taxes:**

The Foundation is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). However, income from certain activities not directly related to the Foundation's tax-exempt purpose may be subject to taxation as unrelated business income.

U.S. generally accepted accounting principles require accounting and recognition for tax positions taken or expected to be taken in the Foundation's income tax returns. The Foundation's income tax filings are subject to audit by various taxing authorities. The Foundation's open audit periods are 2011 - 2013. In evaluating the Foundation's tax provisions and accruals, future taxable income, the reversal of temporary differences, the Foundation's tax exempt status and tax planning strategies are considered. The Foundation believes their estimates are appropriate based on current facts and circumstances.

**Subsequent events:**

The Foundation has evaluated subsequent events through June 9, 2014, the date which the financial statements were available to be issued.

**NOTE 3 - INVESTMENTS**

The Foundation's investments at December 31, 2013 and 2012 consist of funds designated as summarized below:

	<u>2013</u>	<u>2012</u>
Undesignated	\$4,989,725	\$2,211,291
Designated for agency endowment	<u>239,721</u>	<u>201,005</u>
Total	<u>\$5,229,446</u>	<u>\$2,412,296</u>

**ADAMS COUNTY COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 3 - INVESTMENTS (CONTINUED)**

Investment gains (losses) on the statement of activities consist of the following for the years ended December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Net realized gain (loss)	\$270,365	\$56,025
Net unrealized gain (loss)	<u>194,468</u>	<u>81,748</u>
Total investment return	<u>\$464,833</u>	<u>\$137,773</u>

Investment income on the statement of activities includes interest and dividend income and is reported net of manager, consultant and custodian fees of \$23,847 and \$10,890 for the years ended December 31, 2013 and 2012, respectively.

The Foundation uses the following methodologies for assets measured at fair value:

Mutual funds are valued at the net asset value (NAV) of shares held by the Foundation at year end. Equity securities are valued at the closing price reported on the active market on which the securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. No changes in the methodologies used were made in 2013 or 2012.

**NOTE 4 - FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2013 and 2012 are as follows:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
December 31, 2013:				
Stocks, options & ETFs	\$1,441,244	\$1,441,244	\$ -	\$ -
Fixed income securities	350,547	350,547	-	-
Mutual funds	<u>3,437,655</u>	<u>3,437,655</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$5,229,446</u>	<u>\$5,229,446</u>	<u>\$ -</u>	<u>\$ -</u>

**ADAMS COUNTY COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)**

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
December 31, 2012:				
Stocks, options & ETFs	\$103,033	\$103,033	\$ -	\$ -
Mutual funds	<u>2,309,263</u>	<u>2,309,263</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$2,412,296</u>	<u>\$2,412,296</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 5 - FUNDS HELD AS AGENCY ENDOWMENTS**

The Foundation maintains variance power and legal ownership of donor endowment funds, and as such, continues to report these funds as assets of the Foundation. In accordance with accounting principles generally accepted in the United States of America, when a donor grants variance power and specifies themselves, or their affiliate as the beneficiary of the contributed assets, the recipient organization is precluded from accounting for this transaction as a contribution. As a result, the Foundation has established a liability for funds held as agency endowments, which is equivalent to the contributed assets' fair value and related earnings and distributions. Funds held as agency endowments totaled \$239,721 and \$204,017 at December 31, 2013 and 2012, respectively.

**NOTE 6 - CONCENTRATION OF CREDIT RISK**

The Foundation maintains cash balances at a financial institution. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. At times throughout the year, the balance exceeded the insured limits, however, the Foundation has not experienced any loss in such accounts. The Foundation believes it is not exposed to any significant credit risk on its cash balances.

**NOTE 7 - CONCENTRATIONS**

In the current and prior year, a significant amount of contributions were provided by a few major contributors. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term. The Foundation's market is concentrated in the Adams County, Pennsylvania, geographical area.

**ADAMS COUNTY COMMUNITY FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 8 - COMMITMENTS**

The Foundation conducts its operations from facilities that are leased under an operating lease expiring in October 2014. Rental expense for the years ended December 31, 2013 and 2012 totaled \$1,149 and none, respectively. There are options to renew the lease annually for four additional years at an increased monthly rental.

Assuming no change in current terms, future minimum lease payments under operating leases total \$7,000 for the year ending December 31, 2014.

**ADAMS COUNTY COMMUNITY FOUNDATION**

**SCHEDULES OF OPERATIONS**

**YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Revenue and other support		
Contributions	\$30,954	\$47,313
Investment income	11,915	6,742
Investment gain (loss)	28,983	11,508
Administration fee revenue	47,651	21,753
	<u>119,503</u>	<u>87,316</u>
Total revenue and other support		
Expenses:		
Program	40,474	41,472
Administrative	51,437	33,184
Development	28,791	21,188
	<u>120,702</u>	<u>95,844</u>
Total expenses		
Change in net assets from operations	<u>(\$1,199)</u>	<u>(\$8,528)</u>

***See independent accountants' report.***